

DG 00-275

NORTHERN UTILITIES, INC.

Petition for Authority to Borrow Up to \$2,000,000 from the  
Intrastate Natural Gas Pipeline Revolving Loan Fund

Order Nisi Approving Borrowing from Revolving Loan Fund

O R D E R    N O.    23,633

February 9, 2001

On December 1, 2000, Northern Utilities, Inc.

(Northern), filed with the New Hampshire Public Utilities Commission (Commission) a Petition for Authority to Borrow Up to \$2,000,000 (the loan) from the Intrastate Energy Pipeline Facility Revolving Loan Fund (Loan Fund). Along with the petition, Northern filed the Testimony and Exhibits of Jeanne M. Keane, Northern's Treasury Manager. The Exhibits included actual and pro forma balance sheet, income statement and capitalization, estimated issuance costs, the Recommendation for Financing of Intrastate Energy Pipeline Facilities submitted by the Business Finance Authority of the State of New Hampshire (BFA) to the Governor and Council on March 10, 2000, various model financing documents, and a copy of the resolution by the Governor and Executive Council issued on March 22, 2000 approving the proposed loan.

The Loan Fund was established pursuant to RSA 162-I:3-b for the purpose of funding the acquisition, construction

and equipping of new intrastate pipeline facilities; it is administered by the BFA.

§ 162-I:3-b. Intrastate Energy Pipeline Facility  
Revolving Loan Fund

I. There is hereby established in the office of the state treasurer a fund to be known as the intrastate energy pipeline facility revolving loan fund which shall be kept separate and distinct from all other funds. Moneys in the fund shall be nonlapsing and shall be continually appropriated to the authority, and shall be used to provide loans for the construction of intrastate energy pipeline facilities in the state in order to increase the state's ability to meet the energy needs of its citizens and businesses at the lowest reasonable cost, while providing for the reliability and diversity of energy sources. The intrastate energy pipeline facilities shall be eligible for the revolving funds upon the operator receiving all applicable local, state, and federal permits. Loans provided to operators of intrastate energy pipeline facilities shall be approved by the governor and council.

The loan will initially be part of the BFA's temporary loans to business program under RSA 162-A:9. Once the State has issued bonds pursuant to RSA 162-I:3-b, the interest rate on the loan shall equal the interest rate of the bonds. The loan will be payable over 20 years (40 semi-annual payments) and will be secured by a mortgage lien on Northern's business office located at 325 West Road, Portsmouth, New Hampshire.

The temporary interest rate (prior to the State issuing bonds) is to be 85% of the prime rate of interest as reported by The Wall Street Journal (currently 8.5%) and the interest rate on State issued bonds is expected to be 5.80%. The estimated interest rate for Northern to issue its own bonds is 9.15%.

Northern submitted a list of potential projects to the BFA to determine funding eligibility. On March 10, 2000, the BFA recommended to the Governor and Council that it approve funding of up to \$2,000,000 from the Loan Fund to finance Northern's proposed projects in the New Hampshire communities of Rochester, Farmington, Somersworth and Hampton. On March 22, 2000, the Governor and Council issued a Resolution approving the proposed \$2,000,000 loan, stating that the proposed loan "will preserve or increase the social welfare or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens."

To date, Northern has completed the Somersworth project and will seek reimbursement for the project cost (approximately \$350,000) under the terms of the Loan Fund, upon Commission approval of the financing. The remaining funds will be issued as BFA approved projects are completed.

Based on the interest differential between the State issued tax-exempt bonds and Northern issued bonds, Northern anticipates savings of approximately \$200,000 (net of issuance costs of \$22,500 for the loan) over the 20-year life of the \$350,000 loan.

In response to Commission Staff discovery requests, Northern indicated that its weighted cost of capital of 9.76% would be lowered to 9.73% as a result of the proposed financing, using Northern's capital structure as of September 30, 2000. A reduction in the cost of capital should directly benefit Northern's ratepayers in Northern's next general rate case.

We have reviewed Northern's petition in support of its request for authority to borrow up to \$2,000,000 from the Intrastate Natural Gas Pipeline Revolving Loan Fund. Given the terms of the loan, the purpose of the financing and the potential benefits to ratepayers, we find the petition to be in the public good pursuant to RSA 369:4.

**Based upon the foregoing, it is hereby**

**ORDERED NISI**, that the petition of Northern Utilities, Inc. for authority to borrow up to \$2,000,000 from the Intrastate Natural Gas Pipeline Revolving Loan Fund, as filed on December 1, 2000, is APPROVED; and it is

**FURTHER ORDERED,** that all documents submitted to the Business Finance Authority related to proposed or completed projects for funding through the Intrastate Natural Gas Pipeline Revolving Loan Fund shall also be filed with the Commission prior to, or current with, submission to the BFA; and it is

**FURTHER ORDERED,** that Northern shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than February 14, 2001 and to be documented by affidavit filed with this office on or before February 28, 2001; and it is

**FURTHER ORDERED,** that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than March 5, 2001; and it is

**FURTHER ORDERED,** that any party interested in responding to such comments or request for hearing shall do so no later than March 7, 2001; and it is

**FURTHER ORDERED,** that this Order Nisi shall be effective March 8, 2001, unless the Commission provides

otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this ninth day of February, 2001.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary